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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION
302 W. WASHINGTON STREET, ROOM E306

INDIANAPOLIS 46204

June 16, 1999

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, DC 20554

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JUN 17 1999

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RE: Two originals filed in the following docket: *In the Matter of Applications for Transfer of Control to SBC Communications, Inc. of Licenses and Authorizations Held by Ameritech Corporation*, (CC Docket No. 98-141)

Dear Ms. Salas:

This letter is intended to comply with the FCC's rules on *ex parte* communications. Today, the Indiana Utility Regulatory Commission (IURC) faxed the same comments to the following individuals: Chairman William Kennard, Commissioner Michael Powell, Commissioner Susan Ness, Commissioner Harold Furchgott-Roth, Commissioner Gloria Tristani, and William Dever of the FCC's staff. The IURC files these comments to assist the FCC's review of the proposed merger between SBC Communications, Inc. and Ameritech Corporation. The comments address the following issues: the IURC's investigation of the merger, the development of competition for local telephone service in Indiana, and Ameritech Indiana's service quality, compliance with state regulation, and deployment of broadband capabilities.

If you have any questions about this correspondence, please contact me at 317/232-2702.

Sincerely,

William D. McCarty

William D. McCarty
Chairman

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**Before the
Federal Communications Commission
Washington, D.C. 20554**

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JUN 17 1999

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In re Applications of)
)
AMERITECH CORP.,)
Transferor,)
)
AND)
)
SBC COMMUNICATIONS INC.,)
Transferee,)
)
For Consent to Transfer Control of)
Corporations Holding Commission Licenses and)
Authorizations Pursuant to Sections 214 and)
310(d) of the Communications Act and)
Parts 5, 22, 24, 25, 63, 90, 95 and 101)
of the Commission's Rules)

CC Docket No. 98-141

Comments of the Indiana Utility Regulatory Commission (IURC)

June 16, 1999

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I. Introduction

The IURC files these comments to assist the FCC's review of the proposed merger between Ameritech Corporation (Ameritech) and SBC Communications, Inc., (SBC) as addressed by CC Docket 98-141. Though these comments are limited by procedural concerns resulting from our own investigation of the merger (as described below), we believe our experience dealing with Indiana-specific issues can better inform the FCC's review.

The IURC initiated an investigation into the proposed merger between Ameritech and SBC, and its impact on Indiana Bell Telephone Company, Inc., d/b/a Ameritech Indiana, on September 2, 1998.¹ Our investigation was undertaken to prepare comments for submission to the FCC and to determine whether the IURC has the authority to approve the merger. The IURC began the first phase of our investigation under I.C. 8-1-2-58 and related statutes, including I.C. 8-1-2-83, "because we believe the merger of SBC, which also operates various telephone subsidiaries in Indiana, with Ameritech Indiana's parent could affect the state of telephone competition in Indiana, and might also impact employment levels, quality of service, and even rates. . . ."² Among those statutes is one that requires that sales, assignments, transfers, leases or encumbrances of a public utility's "franchise, works, or system to any other person, . . . or corporation" be approved by the IURC after hearing.³ Both SBC and Ameritech claim that the IURC does not have jurisdiction to approve or disapprove the merger, therefore, neither entity sought the IURC's approval. The IURC issued an order on May 5, 1999 finding that the IURC does have jurisdiction to approve the merger, thereby setting in motion the second phase of our investigation, which is currently pending.

Shortly thereafter SBC and Ameritech requested that the IURC negotiate a settlement. Negotiations between SBC and Ameritech, the Indiana Office of the Utility Consumer Counselor, the IURC, and other interested parties began shortly thereafter. On May 25, 1999, Ameritech and SBC jointly filed a request for the record with the IURC, indicating that they intended to appeal the IURC's May 5 jurisdictional order to the Indiana Court of Appeals. Hearings began on May 27, 1999 to set a procedural schedule for the IURC's review of the merger. If the procedural schedule is adhered to, we should complete our investigation by mid-to late-summer.

Because the IURC only recently embarked on our review of the merits of the proposed merger, our analysis of the transaction is not yet complete. It would be inappropriate for us to adopt a position regarding whether the merger should be approved, or if it is approved, whether and what conditions should be applied.

The IURC does, however, believe that we can provide an assessment of the current state of affairs in Indiana, independent of the proposed SBC/Ameritech merger, which can inform the FCC's review at the federal level. Therefore, the IURC addresses issues that have been raised in merger review proceedings conducted by the FCC, the Illinois Commerce Commission, and the

¹ In the Matter of the Investigation on the Commission's Own Motion into All Matters Relating to the Merger of Ameritech Corporation and SBC Communications, Inc., Cause No. 41255.

² Id.

³ I.C. 8-1-2-83(a).

Public Utilities Commission of Ohio, among others. These issues are: regulatory compliance; local competition; broadband deployment; and service quality. Because the IURC cannot conjecture about the impact that the proposed merger, if consummated, would have, we provide an analysis of Ameritech Indiana's past and current performance. As will be described in greater detail in the sections that follow, the IURC has made these observations:

- Ameritech Indiana has opposed several of the IURC's orders over the past five years, notably the provisions of its alternative regulation plan, intrastate universal service proceedings, and implementation of sections 251 and 252 of the Telecommunications Act of 1996 (TA-96 or the Act). This has resulted in under-investment in telecommunications infrastructure for schools, hospitals, and government centers and has stalled the development of competition for local telephone service, among other things.
- As of December 31, 1998, there was virtually no competition for local telephone service in the state of Indiana. Particularly disturbing is the fact that Ameritech Indiana had lost less than 500 voice grade access lines as unbundled network elements (UNEs) and has recently raised prices for services such as enhanced calling features.
- The lack of effective facilities-based competition for local telephone service also could explain Ameritech Indiana's failure to deploy broadband services such as xDSL. As of December 31, 1998, Ameritech Indiana had deployed one xDSL line in its entire service area. Since Ameritech Indiana serves 2.2 million (65 percent) of Indiana's 3.4 million access lines, the IURC is concerned that there might be little, if any, broadband deployment in our state.
- Ameritech Indiana has consistently failed to meet two important Indiana service quality standards over the past five quarters: clearing out-of-service calls within 24 hours and answering calls from business customers. In addition, the FCC's own ARMIS data show that Ameritech Indiana had the longest out-of-service repair intervals for business customers (1997 and 1998) and residence customers (1997), the highest repeat out-of-service interval for business customers (1997 and 1998), and the longest average initial installation interval for business customers (1997) of any Ameritech operating company.

II. Ameritech Indiana Actively Resists State Regulation

Access to the judicial appellate process is an essential right of any litigant, and like any other party to an IURC proceeding, Ameritech Indiana may appeal the decisions of this regulatory body. We feel compelled to observe, however, that Ameritech Indiana's extensive use of litigation has appreciably delayed competitive entry here in Indiana. Specifically, Ameritech Indiana's pattern of appealing nearly every significant order issued by this agency since the passage of TA-96 is one of the reasons the vast majority of Indiana consumers continue to have no choice in their provider of telephone service.

Ameritech Indiana's opposition to the IURC's orders is exemplified by several cases that are described below. This list is not all-inclusive, but rather is merely illustrative of the variety of ways in which Ameritech Indiana has actively resisted state regulation.

Opportunity Indiana (Cause Nos. 39705 and 40849)

In 1994, the IURC approved an alternative regulatory framework allowing relaxed regulation of Ameritech Indiana. The plan was coined "Opportunity Indiana."⁴ When it expired in December 1997, Opportunity Indiana was replaced by an interim alternative regulation plan until a long-term regulatory structure could be finalized. The IURC also required Ameritech Indiana to reduce by 4.6 percent the cap on its residential and business rates for basic local service.⁵ Ameritech Indiana immediately appealed this order, and the case has been pending at the Indiana Court of Appeals for 18 months, with rates remaining at their Opportunity Indiana levels.

Most recently, the IURC reviewed Ameritech Indiana's obligation to expend \$120 million over six years for infrastructure improvements for schools, hospitals, and major government centers that came as part of the original agreement to adopt the relaxed regulatory framework of Opportunity Indiana. This term was agreed to and accepted with the express understanding that the value of the investments would not be subject to recovery through rates and charges to end users. The first numbers Ameritech Indiana supplied to substantiate that it met its commitment showed that the company was clearly delinquent. After Ameritech Indiana revised and resubmitted those numbers, the IURC found that Ameritech Indiana had included infrastructure investments to retail stores, an amusement park, an industrial plant, and a hotel in its accounting of expenditures that were meant for schools, hospitals, and major government centers. The IURC further found Ameritech Indiana's actual infrastructure investments pursuant to this commitment to be no more than \$17.9 million through the end of 1997, or some \$62 million less than promised.⁶ Assuming the company also employed the same accounting methodology for its post-1997 infrastructure expenditures, the IURC fears the shortfall to date could be even greater. Therefore, Ameritech Indiana was ordered to file with the IURC a detailed expenditure plan to spend the balance of its infrastructure investments.⁷ Ameritech Indiana filed a report of less than five pages with the IURC on May 28, 1999 that was short of any specifics.

⁴ In the Matter of the Petition of Indiana Bell Telephone Company, Incorporated for the Commission to Decline to Exercise in Part its Jurisdiction over Petitioner's Provision of Basic Local Exchange Service and Carrier Access Service, to Utilize Alternative Regulatory Procedures for Petitioner's Provision of Basic Local Exchange Service and Carrier Access Service, and to Decline to Exercise in Whole its Jurisdiction over All Other Aspects of Petitioner and its Provision of All Other Telecommunications Service and Equipment, Pursuant to I.C. 8-1-2.6, Cause No. 39705.

⁵ In the Matter of the Petition of Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana for the Commission to Decline to Exercise in Whole or in Part its Jurisdiction over, and to Utilize Alternative Regulatory Procedures for, Ameritech Indiana's Provision of Retail and Carrier Access Services Pursuant to I.C. 8-1-2.6 et. seq., Cause No. 40849.

⁶ Ameritech Indiana's expenditures on infrastructure improvements for schools, hospitals, and government centers should have totaled \$80 million through 1997.

⁷ In the Matter of the Petition of Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana for the Commission to Decline to Exercise in Whole or in Part its Jurisdiction over, and to Utilize Alternative Regulatory Procedures for, Ameritech Indiana's Provision of Retail and Carrier Access Services Pursuant to I.C. 8-1-2.6 et. seq., Cause No. 40849, April 28, 1999.

Universal Service (Cause No. 40785)

Ameritech Indiana has appealed orders in several other IURC proceedings, including our general investigation into universal service. On October 28, 1998, the IURC issued an order interpreting section 254(k) of TA-96. This order required all ILECs to submit revised tariffs in accordance with the IURC's determinations on the definition of "universal service."⁸ All Indiana ILECs also were put on notice that they would be expected to demonstrate to the IURC that their existing rates conformed with the provisions outlined in TA-96, specifically section 254(k). On December 9, 1998, the IURC issued an order addressing intrastate access charge reform.⁹ Ameritech Indiana immediately filed an appeal of these two orders in the Indiana Court of Appeals. Ameritech Indiana's petition for extension of time in which to file the record of proceedings, the first step in the appeal process in Indiana, was granted up to and including June 21, 1999.

Nonetheless, the IURC proceeded with our investigation into universal service, and on January 20, 1999, the IURC established a subdocket, Cause No. 40875-S1, to determine Ameritech Indiana's compliance with our universal service orders. On February 19, 1999, the IURC issued a docket entry that required Ameritech Indiana to file a cost study based on IURC-determined guidelines to demonstrate the company's compliance with TA-96 and prior IURC orders. The cost study submitted by Ameritech Indiana on April 29 was rejected because it did not substantially comply with the IURC's February 19 guidelines. Ameritech Indiana was directed to resubmit its cost study by June 11, 1999.

Interconnection

In response to the interconnection mandates of TA-96, Ameritech Indiana engaged in interconnection agreement negotiations with several other telecommunications companies. These voluntary negotiations were not entirely successful, and the parties submitted certain unresolved issues to arbitration pursuant to TA-96. The IURC conducted arbitrations and approved executed agreements between Ameritech Indiana and AT&T on March 26, 1997¹⁰ and Ameritech Indiana and Sprint on April 11, 1997.¹¹ Unsatisfied with the IURC's arbitration decisions, Ameritech sued AT&T and Sprint, along with the IURC, in separate suits in Federal District Court. Ameritech Indiana also opposed the IURC's dismissal of Ameritech Indiana's petitions to arbitrate interconnection agreements for extended area service between the company and 21 Indiana ILECs.¹² Ameritech Indiana subsequently sued all 21 ILECs and the IURC in Federal District Court while simultaneously suing the same parties in state court.

After prolonged litigation, all but one of the aforementioned cases was either settled or dismissed. Ameritech Indiana's suit against AT&T and the IURC is still pending in Federal District Court.

⁸ In the Matter of the Investigation on the Commission's Own Motion into Any and All Matters Relating to Access Charge Reform and Universal Service Reform, Including, but Not Limited to, High Cost or Universal Service Funding Mechanisms Relative to Telephone and Telecommunications Services within the State of Indiana Pursuant to: I.C. 8-1-2-51, 58, 59, 69; 8-1-2.6 et. seq., and Other Related Statutes, as well as the Federal Telecommunications Act of 1996 (47 U.S.C. Sec. 151, et. seq.), Cause No. 40785.

⁹ Id.

¹⁰ Cause No. 40571-INT-01

¹¹ Cause No. 40625-INT-01.

¹² Cause Nos. 41045-INT-01 through 21 and Cause No. 40895.

The IURC continues to receive complaints from CLECs that are attempting to negotiate interconnection agreements with Ameritech Indiana. For example, despite repeated explanations to Ameritech Indiana's legal counsel and staff, Ameritech Indiana maintained that it could unilaterally insert new language or revise existing language in a previously approved interconnection agreement when a CLEC seeks to adopt such agreement pursuant to section 252(i) of TA-96. IURC Telecommunications Division staff, the General Counsel's Office, and the presiding Administrative Law Judges have all explained to Ameritech Indiana numerous times that a CLEC may adopt an existing interconnection agreement by simply submitting a letter to the IURC. The only terms that must be determined are: (1) the physical point of interconnection, and (2) the date upon which Ameritech Indiana will provision service to the other party. Ameritech Indiana continued to ignore these directives, which were outlined in the IURC's Amended General Administrative Order 1998-1, for several months. Moreover, Ameritech Indiana appears to have misrepresented the IURC's position on the implementation of interconnection agreements to other carriers during negotiations. For example, by using these tactics, Ameritech Indiana delayed the execution of its interconnection agreement with Golden Harbor of Indiana, Inc. for almost five months.¹³ The IURC fears that Ameritech Indiana's continued failure to abide by our orders will result in delay or denial of interconnection between Ameritech Indiana and other carriers on a prospective basis.

The IURC believes that Ameritech Indiana's pattern of continued appeals and opposition to our orders has helped to delay or deny the expansion of local competition and universal service in Indiana. Neither SBC nor Ameritech has clearly indicated that it intends to institute any changes to the problematic structure of Ameritech Indiana's current regulatory framework, which was described above. Because of Ameritech Indiana's opposition to state regulation, the Telecommunications Act of 1996, now more than three years old, has had no meaningful impact upon Indiana's largest incumbent local exchange carrier and it does not appear that the future will bring a change in that status.

III. Three Years After the Passage of TA-96, Ameritech Indiana Faces Little Competition for Local Telephone Service

The IURC understands that the FCC is concerned about the impact the SBC/Ameritech merger could have on competition for local telephone service, both inside and outside the respective regions of SBC and Ameritech. We provide the following analysis to give the FCC some insight into the development (or lack) of local competition within the state of Indiana thus far.

First and foremost, it is important to recognize that *there is virtually no competition for local telephone service in the state of Indiana*. The IURC periodically collects data from Indiana's two largest ILECs—Ameritech Indiana and GTE North, Incorporated (GTE)—as well as all certified CLECs to gauge the development of local competition. Our latest version of the survey, which was modeled on the FCC's Fourth Local Competition Survey, was distributed during January 1999 and collected data through December 31, 1998.

¹³ Cause No. 41268-INT-05.

Ameritech Indiana's responses show the carrier, which serves 2.2 million (65 percent) of the state's 3.4 million access lines, lost less than 1 percent of its total voice grade access lines to competitors as of December 31, 1998. Specifically, Table 1 shows that almost three years after the passage of TA-96 Ameritech Indiana has lost only 16,980 voice grade access lines (or approximately 0.7 percent of its total voice grade access lines) on a total service resale basis or as unbundled network elements to competitors in Indiana.

Table 1
Selected Ameritech Indiana Responses to IURC 1998 Local Competition Survey
Data through December 31, 1998

Line Type	Residential Switched	Non-residential Switched	Special Access or Private Lines	Switched UNE Loops	Total Voice Grade Lines
Total voice grade lines provided to end users:	1,417,939	777,403	28,740		2,224,082
Lines owned that were provided under a UNE loop arrangement ¹⁴ :				460	460
Lines owned provided under a (wholesale) Total Service Resale Arrangement ¹⁵ :	4,836	11,025	389		16,250
Total voice grade lines provided to end users and other telecommunications carriers ¹⁶ :	1,426,802	797,826	30,360	460	2,225,448

The IURC is particularly disturbed by the fact that only 460 of these lines were lost as unbundled network elements. Many experts believe that UNEs and interconnection are the only avenues for the development of true, lasting competition for local telephone service, since a CLEC that provides service through the resale of an underlying ILEC's service essentially is depending on its *competitor* to allow it to operate. The IURC expected CLECs to initially provide local telephone service on a total service resale basis, since total service resale does not require the

¹⁴ Pursuant to 47 U.S.C. 153(29) and 251(c)(3).

¹⁵ Pursuant to 47 U.S.C. 251(c)(4).

¹⁶ These numbers also include lines provided to other telecommunications carriers at retail rates. The IURC does not separately identify lines provided to competitors at retail rates for two reasons. First, according to the IURC's orders in our generic investigation into local competition (Cause No. 39983), there are only two types of services that are not eligible for the wholesale discount outlined in section 251(c)(4) of TA-96: shared tenant services and the non-tariffed services included in a Customer Specific Arrangement (CSO), Individual Customer Arrangement (ICA), and/or an Individual Case Basis arrangement (ICB). The FCC's Fourth Local Competition Survey and the IURC's 1998 Local Competition Survey direct carriers to report shared tenant lines as lines provided to end users. Therefore, shared tenant lines should not be counted as lines provided to a telecommunications carrier at a retail rate. With regard to CSOs, ICAs, and ICBs, a voice grade access line is a tariffed service in Indiana and thus is eligible for a wholesale discount even if it is included in one of these arrangements.

Second, assuming that CLECs are purchasing access lines from Ameritech Indiana at retail rather than wholesale rates, considering these lines as lost to a competitor understates Ameritech Indiana's market share. Ameritech Indiana feels little competitive pressure if it provides a voice grade access line to a competitor at a retail rate, since Ameritech Indiana receives the same revenue that it would have earned had that line been sold to an end user. In short, the IURC believes that lines lost as UNEs and through total service resale arrangements most accurately reflect the growth of local competition in Ameritech Indiana's study area.

On June 7, 1997, David Reep, Director-Issues Advocacy for Ameritech Indiana, confirmed to IURC staff that the lines reported on line I.B.6 of the FCC's Fourth Local Competition Survey for the state of Indiana are shared tenant lines. (These results mirror those submitted on the IURC's 1998 Local Competition Survey.) IURC staff contacted Ellen Burton of the FCC's Industry Analysis Division about this error on June 8.

substantial investment required by facilities-based provision of service. Three years after the passage of TA-96, the IURC had hoped to see a significant number of voice grade access lines in Indiana served by facilities-based competitors. **The IURC does not believe that 460 access lines represents a significant share of the market for local telephone service.** Indeed, Ameritech Indiana's other responses to our 1998 Local Competition Survey emphasize that facilities-based competition is virtually non-existent. For example, according to Ameritech Indiana, competing carriers had collocation arrangements in only 19 of Ameritech Indiana's 160 switching centers as of December 31, 1998. Also, less than one-half (46 percent) of Ameritech Indiana's voice grade access lines were served by a switching center in which at least one competitor had a collocation arrangement.

An earlier IURC local competition survey¹⁷ found that as of June 30, 1998 more than one-half of the access lines provided by CLECs to residential customers in Indiana were provided by a single carrier that targets customers who cannot get phone service from Ameritech Indiana due to bad credit or an outstanding balance. This carrier charges monthly rates that are approximately three times the monthly rate charged by Ameritech Indiana for basic local service. The IURC believes that an increase in the number of individuals who receive telephone service promotes the public interest. However, if a significant percentage of CLEC customers are individuals whom Ameritech Indiana does not want to serve, the level of competition faced by the carrier, as represented by lost access lines, might overstate the competitive pressure Ameritech Indiana faces.

It is important to recognize that our state legislature declared more than 10 years ago that:

An environment in which Indiana consumers will have available the widest array of state-of-the-art telephone services at the most economic and reasonable cost possible will necessitate full and fair competition in the delivery of certain telephone services throughout the state.¹⁸

Competition not only is expected to bring consumers the opportunity to choose a telecommunications carrier rather than relying on a single, monopoly provider, the advent of competition also is expected to inspire innovation in technology and service offerings, bring prices to cost, and provide improved service quality as a monopoly carrier is forced to compete with new entrants. Unfortunately, Ameritech Indiana has not filed any requests to lower its local service rates, though the carrier has revised its service catalog and tariff.¹⁹ Some of these

¹⁷ Telephone Report to the Regulatory Flexibility Committee of the Indiana General Assembly-Update, Indiana Utility Regulatory Commission, August 1998.

¹⁸ I.C. 8-1-2.6-1(4).

¹⁹ As a result of the Opportunity Indiana alternative regulation plan (Cause No. 39705), Ameritech Indiana's tariff was divided into three general types of services: Basic Local Service (BLS), BLS-Related Services and Other Services. BLS are those services which provide voice-grade access to the network plus usage within the local calling area. BLS include basic line charges (message or flat-rate), zone charges, and end-user line charges. BLS-Related Services are considered those which enhance, supplement or depend on BLS, but do not upgrade the quality of access above voice grade or extend beyond the traditional local calling area. BLS-Related Services include, among other things, basic custom calling features, directory assistance and operator-assisted local calling. Other Services, among other things, include Centrex, dedicated communication services, toll 800 WATS and wholesale offerings.

revisions in fact constitute rate *increases*. For example:

- In July 1996, Ameritech Indiana proposed a substantial increase in the monthly rates for advanced Centrex services, while holding constant its long term rates for the service. After complaints from a number of companies, the IURC opened Cause No. 40612, In the Matter of an Investigation into Centrex Charters Offered by Indiana Bell Telephone Company d/b/a Ameritech Indiana. An IURC staff report found that "Raising rates, in what Ameritech contends is a competitive market, without cost justification, violates basic principles of economics. We believe this is an exercise in monopoly power." Ameritech Indiana subsequently withdrew the tariff filing.
- On March 31, 1999 Ameritech Indiana increased the rates for the following services and service packages: Additional Business Listings (\$4.00 from \$3.00); Automatic Callback (\$0.85 from \$0.75); Three-Way Calling (\$0.85 from \$0.75); Call Waiting Value Pack (\$14.20 from \$11.20); and Caller ID Value Pack (\$20.12 from \$17.12).
- In November 1998, Ameritech Indiana filed proposed tariff language that would govern how construction charges would be assessed to developers when unusual costs are involved in constructing facilities for the provision of standard exchange service. The Indiana Builders Association raised concerns about the proposed tariff, because it constituted a substantial increase in the non-recurring charges paid by home builders. Ameritech Indiana subsequently withdrew the proposed tariff revision.

If significant local competition truly existed in Indiana, the IURC does not believe that Ameritech Indiana would have sought the service catalog and tariff revisions described above.

History also shows that competition for local telephone service has been slower to develop in Indiana than in the other four Ameritech states. We remind the FCC that results from its Third Local Competition Survey demonstrated that the market shares earned by CLECs in Illinois, Michigan, Ohio, and Wisconsin were significantly greater than the market share earned by CLECs in Indiana. Whereas other Ameritech states had experienced both facilities-based and total service resale competition, albeit to differing degrees, as of September 30, 1998 *all voice grade access lines lost by Ameritech Indiana to CLECs were lost on a total service resale basis only*.

According to the most recent data collected by the FCC, Illinois and Michigan have witnessed the greatest growth in competition for local telephone service in the Ameritech region. Table 2 shows that as of December 31, 1998, approximately 3 percent of Ameritech's total voice grade access lines in both states were served by a competitive local exchange carrier, either through total service resale or unbundled network elements. Indiana, in contrast, continued to lag far

With regard to BLS and BLS-Related Services, Ameritech Indiana may decrease any existing rate provided it submits a LRSIC cost study. Ameritech Indiana may not increase the existing rate on BLS or BLS-Related Services, with the exception of all custom calling features (except call waiting), which may be increased by \$0.25 per feature. Changes to BLS-Related Services may be made via the IURC's 30-day filing procedure. The rate on Other Services may increase or decrease provided it covers LRSIC +1%. Other Services are approved by the IURC on one-day's notice.

behind the other Ameritech states, with less than 1 percent of total voice grade access lines served by a CLEC. More troubling is the fact that Ameritech Indiana had lost only 460 voice grade access lines to competitors as UNE loops while Ameritech had lost many multiples of this figure in each of the other states in its region.

Table 2
Selected Ameritech Responses to FCC Fourth Local Competition Survey
Data through December 31, 1998

Line Type	Illinois	Indiana	Michigan	Ohio	Wisconsin
Lines owned that were provided under a UNE loop arrangement:	20,469	460	47,808	23,769	7,053
Lines owned provided under a (wholesale) Total Service Resale Arrangement:	198,354	16,250	119,779	77,879	42,193
Total voice grade lines provided to end users and other telecommunications carriers:	7,216,875	2,255,448	5,532,499	4,184,826	2,207,987
Percentage of total lines lost to other carriers through Total Service Resale or UNEs ²⁰ :	3.03%	0.74%	3.03%	2.43%	2.23%

Of course, the regulatory policies adopted by each state commission have a significant impact on the level of competition in each state. It is beyond the scope of these comments to provide a comparison of each state commission's implementation of TA-96. However, the IURC has taken the following steps to promote competition for local telephone service in Indiana:

- The IURC has approved 87 voluntarily negotiated interconnection agreements and amendments, 7 arbitrated interconnection agreements and amendments, and the adoption of 11 previously approved interconnection agreements.
- The IURC has granted Certificates of Territorial Authority for the provision of local exchange telephone service to 110 CLECs.
- The IURC established an interim wholesale discount for Ameritech Indiana (21 percent off retail subject to true-up) on December 18, 1996.²¹ The IURC established a permanent wholesale discount for Ameritech Indiana (21.46 percent) on February 25, 1999.²²
- The IURC put out for comment a proposal to relax its CLEC certification and tariff approval requirements. The IURC will take action on this proposal within the next 60 days.²³

²⁰ Please refer to footnote 16 for a discussion of the IURC's methodology.

²¹ In the Matter of the Investigation on the Commission's Own Motion into Any and All Matters Relating to Local Telephone Exchange Competition within the State of Indiana, Order on Reconsideration and Resale Issues, Cause No. 39983, December 18, 1996.

²² In the Matter of the Commission Investigation and Generic Proceedings on Ameritech Indiana's Wholesale Rates under the Telecommunications Act of 1996 and Related Indiana Statutes, Cause No. 41055, February 25, 1999.

²³ In the Matter of the Investigation on the Commission's Own Motion into Any and All Matters Relating to Local Telephone Exchange Competition within the State of Indiana, Order Reopening Cause for Limited Consideration of Proposed Streamlined Regulatory and Administrative Procedures, Cause No. 39983, April 28, 1999.

- The IURC has undertaken an investigation to establish rates, terms and conditions for interconnection, UNEs, and transport and termination for Ameritech Indiana. The IURC established such rates, terms and conditions using the FCC's TELRIC cost methodology on June 30, 1998.²⁴ Ameritech Indiana subsequently filed a petition for reconsideration with the IURC, so these rates are not yet final.²⁵

The IURC believes that these activities are significant, and represent, at the very least, the same type of activities undertaken by regulatory bodies in the other Ameritech states.

SBC and Ameritech have argued before the FCC, the IURC, and other state commissions that the merger will inspire greater local competition because of the merged entity's proposed "National-Local Strategy" (NLS). Under the NLS, the combined companies will provide "one-stop shopping" to many of their large corporate customers that currently have operations or facilities in both the SBC and Ameritech regions. Today, such corporate customers must deal with (at least) two separate ILECs. Other companies, such as AT&T/TCG or MCI Worldcom, are capable of providing such one-stop shopping to those corporations today and have a competitive advantage over both SBC and Ameritech—or so the theory goes.

The other part of the NLS involves the entry by SBC/Ameritech into new domestic markets (up to 30) not currently served by either company. After SBC/Ameritech begins implementing the NLS, the incumbent local providers in the affected markets are expected to retaliate and enter SBC and Ameritech markets. Presumably, this retaliatory competition would lead SBC/Ameritech to decrease rates and charges in current SBC or Ameritech markets beyond what would otherwise occur.

Assuming that (1) the retaliation by competitors and the price decreases by SBC/Ameritech actually do occur, (2) they are sustained over a long-term time horizon, and (3) the amount of the price reductions is at least as great as any decrease in costs, there is no guarantee that the retaliating companies would select any Indiana markets. As shown by the FCC's own data, local competition has been much slower to develop in Indiana than in other states in the Ameritech region. The size of potential markets in each state could explain some of this differential. For example, the nation's third largest Metropolitan Statistical Area (MSA)—Chicago—is located in Ameritech's service area in Illinois. Similarly, Ameritech serves Detroit (rank 8), Cleveland (rank 13) and Milwaukee (rank 26). Indiana's largest MSA—Indianapolis—only ranks 28th nationally.²⁶

²⁴ In the Matter of the Commission Investigation and Generic Proceeding on Ameritech Indiana's Rates for Interconnection, Service, Unbundled Elements, and Transport and Termination under the Telecommunications Act of 1996 and Related Indiana Statutes, Cause No. 40611, June 30, 1998.

²⁵ On its face, it would appear that the lack of final rates, terms, and conditions for interconnection, UNEs, and transport and termination would explain the slow growth of facilities-based competition in Indiana. However, the Public Utilities Commission of Ohio has yet to approve final UNE rates for Ameritech. See, for example, In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control, Case No. 98-1082-TP-AMT, April 8, 1999. The lack of generally available terms for such network elements therefore would not seem to explain the slow growth of facilities-based competition in Indiana in relation to other Ameritech states.

²⁶ Metropolitan Area Rankings based on 1997 population data. From U.S. Bureau of Census web site, <http://www.census.gov/Press-Release/metro01.prn>.

If competition has been slower to develop in Indianapolis, Indiana's largest MSA, than in other cities in the Ameritech region (e.g., Chicago, Detroit, Cleveland, Milwaukee), the IURC is unsure about how the NLS would inspire local competition in our largest city, which is where competition is expected to develop first. Indiana's next largest MSA—Fort Wayne—only ranks 81st nationally. As such, Fort Wayne is not likely to be targeted by SBC/Ameritech as part of the NLS. We cannot emphasize enough that the FCC must recognize in its merger analysis that *not all states in the Ameritech region are the same*. Whereas the proposed merger might inspire a greater degree of local competition in Illinois, Michigan, Ohio and Wisconsin—states with markets that are more attractive to competitive carriers—it is unclear how the merger would promote local competition in Indiana. We therefore encourage the FCC to consider Indiana's distinctive features in its analysis of the proposed merger.

IV. Ameritech Indiana Has Not Deployed Broadband Capabilities such as xDSL

According to data collected by the IURC, as of December 30, 1998, Ameritech Indiana had deployed one xDSL line. Given that Ameritech Indiana serves approximately 65 percent of local access lines in the state, predominantly in urban areas that presumably could technologically support xDSL service, the IURC is concerned that the majority of Indiana residents do not have access to broadband capability at this time.

The IURC is just as concerned as the FCC about bringing high-speed Internet access to end users, particularly residential customers who rely on the twisted pair of copper wires that connects them to the public switched network. We agree with the analogy used by Chairman Kennard that relying on the traditional copper loop to access the Internet is like trying to fill up a swimming pool with a garden hose. However, there seem to be several obstacles standing in the way of ubiquitous broadband deployment in our state.

As described in the previous section, Indiana has witnessed very little competition for basic local telephone service, let alone broadband services. xDSL and other broadband technologies that rely on the existing copper loop are essentially enhancements to the loop itself, not totally separate services. xDSL, for example, has been colloquially described as "a loop on steroids" because it relies on equipment installed at the customer's premises and equipment installed in a carrier's central office to derive additional bandwidth from the *existing* copper loop. Since Ameritech Indiana has only lost a total of 460 UNE loops to competitive carriers to date, and most CLECs require UNE loops to provide xDSL, the near-term prospects for competitive provision of xDSL in Indiana are virtually nonexistent.

The IURC's primary concern is that consumers may not have access to broadband capability from any provider, whether Ameritech Indiana or a competitive local exchange carrier. As stated above, as of December 31, 1998, Ameritech Indiana had only deployed one xDSL line. The IURC is disturbed by the almost total lack of broadband deployment in Ameritech Indiana's service area. The IURC, for example, granted Ameritech Advanced Data Services of Indiana, Inc. (AADS-IN) a Certificate of Territorial Authority to provide frame relay service, switched multi-megabit data service and asynchronous transfer mode service within the state of Indiana on

September 29, 1993, prior to the passage of TA-96.²⁷ AADS-IN is a "separate entity" from Ameritech Indiana that was formed to provide advanced technologies in Indiana, primarily to large businesses. The IURC does not understand why AADS-IN has not sought to provide broadband services such as xDSL, whether to business or residential customers, since AADS-IN already has a frame relay network in place that could support the deployment of xDSL technology.

One explanation might be the increased revenue that Ameritech Corporation has enjoyed from the provision of second lines to end users. Increased use of the Internet has led consumers to demand a second local access line that can be dedicated to Internet use. According to an article from May 1998, Ameritech Corporation's deployment of second lines had grown by 12.7 percent and deployment of ISDN lines had grown by 63 percent.²⁸ If Ameritech Corporation can generate an increase in revenue through the deployment of second lines, why should it make an investment in broadband technology like xDSL? Since Ameritech Indiana faces no effective facilities-based local competition, Ameritech Indiana appears to have even less incentive to deploy broadband services. Until Indiana experiences substantial facilities-based competition, the IURC is concerned that broadband deployment might not become a reality.²⁹

V. The IURC is Concerned About Ameritech Indiana's Service Quality

Maintaining a high quality of service is a cornerstone of utility regulation and should be an important factor in considering any merger. Even with relaxed regulation, such as Opportunity Indiana, the IURC did not yield our authority over Ameritech Indiana's quality of service.³⁰ To help the FCC decide the fate of the SBC/Ameritech Indiana merger, the IURC provides information from our Consumer Affairs Division and filings Ameritech Indiana makes as part of

²⁷ In the Matter of the Petition Ameritech Advanced Data Services of Indiana, Inc. for a Certificate of Territorial Authority and Requesting the IURC to Decline the Exercise of its Jurisdiction Pursuant to I.C. 8-1-2.6, Cause No. 39718, September 29, 1993.

²⁸ Mulqueen, John T. "Continuing Acquisition Trends, Growth." *InternetWeek*. May 4, 1998. The IURC contacted Ameritech Indiana on June 1, 1999 for more recent, Indiana-specific figures regarding the increase in the deployment of second lines. IURC staff were told that this information was not available on an Indiana-specific basis, and any data regarding Ameritech Corporation's deployment of non-primary access lines is proprietary and not available for our use. However, we refer the FCC to a recent article in the *Indianapolis Star*, as cited in footnote 38, which attributes Ameritech Indiana's declining service quality to the carrier's inability to serve a growing number of access lines.

²⁹ The IURC believes the FCC's recent order, In the Matters of Deployment of Wireline Services Offering Advanced Telecommunications Capability, First Report and Order and Further Notice of Proposed Rulemaking, CC Docket 98-147, released March 31, 1999, goes a long way toward lowering the barriers to entry faced by competitive carriers seeking to provide voice grade service and/or advanced services. This order does not allay the IURC's concern that CLECs find our state unattractive to serve, and that the resulting lack of competitive pressure provides Ameritech Indiana little incentive to deploy broadband capability since it can meet customer demand for Internet access through the provision of second lines and ISDN service.

³⁰ In the Matter of the Petition of Indiana Bell Telephone Company, Incorporated for the Commission to Decline to Exercise in Part its Jurisdiction over Petitioner's Provision of Basic Local Exchange Service and Carrier Access Service, to Utilize Alternative Regulatory Procedures for Petitioner's Provision of Basic Local Exchange Service and Carrier Access Service, and to Decline to Exercise in Whole its Jurisdiction over All Other Aspects of Petitioner and its Provision of All Other Telecommunications Service and Equipment, Pursuant to I.C. 8-1-2.6, Cause No. 39705.

the interim Opportunity Indiana alternative regulation plan.³¹ The other source for quality of service data is the FCC's own ARMIS database. We will only briefly discuss these results, since we assume the FCC has conducted an independent analysis of that data and how it should be used to determine if the merger is in the public interest.³²

As part of the interim phase of Opportunity Indiana, Ameritech Indiana is required to file various service quality reports based on the IURC's Standards of Service developed in 1979 and detailed in 170 IAC 7-1.1-11. Ameritech Indiana considers some of the reports to be proprietary and as such, they cannot be disclosed.

Table 3 lists the service quality standards and indicates whether Ameritech Indiana met the IURC standards contained in 170 IAC 7-1.1-11. In most cases, Ameritech Indiana complied with the service standards, but in two categories it did not. Ameritech Indiana did not clear all of its out-of-service calls within 24 hours in any quarter reported, and in the First and Third Quarters of 1998, the percentage fell below 80 percent. Ameritech Indiana also did not meet the benchmark for answering calls for business customers (80 percent within 20 seconds) for each quarter listed. Indeed, in three of the five quarters shown, Ameritech Indiana's rate fell below 50 percent, and in Third Quarter 1998, it was only 29.8 percent.

Table 3
Ameritech Indiana Service Quality Measures
Filed Pursuant to Cause No. 40849 (Interim Opportunity Indiana)

Category	1 Q 98	2 Q 98	3 Q 98	4 Q 98	1 Q 99
Installation intervals	Above	Above	Above	Above	Above
Repair reports per 100 access lines	Above	Above	Above	Above	Above
Out-of-service cleared within 24 hours	Below	Below	Below	Below	Below
Repair answer	Above	Above	Above	Above	Above
Business office answer	Below	Below	Below	Below	Below
Operator answer information/intercept	Above	Above	Above	Above	Above
Toll/assist operator answer	Above	Above	Above	Above	Above

The IURC's Consumer Affairs Division receives complaints from utility customers and attempts to mediate disputes between customers and their utility. Table 4 shows consumer complaints for service problems, installation problems, and new service per 100,000 lines from Indiana's three largest incumbent local exchange carriers: Ameritech Indiana, United Telephone Company of Indiana, Inc. d/b/a Sprint (Sprint/United) and GTE North, Incorporated.³³ Results show Ameritech Indiana had 27.38 total complaints per 100,000 lines from August 1996 to present. This rate is less than GTE's rate, but greater than Sprint/United's. Installation problems, new service problems, and service problems show the same general trend.

³¹ As discussed earlier, Opportunity Indiana ended on December 31, 1997, but the alternative regulation plan has been extended until the IURC determines the fate of other causes pending before us.

³² The IURC has contacted the FCC's Whitey Thayer to discuss quality of service issues on several occasions and has reviewed his summaries of quality of service data such as RBOC Repair Response Times and Capital Investment Trends, July 19, 1997.

³³ The IURC used 1998 line counts, as reported in each carrier's Annual Report to the IURC.

Table 4
Complaints to IURC Consumer Affairs Division Per 100,000 Lines
(August 1996 to Present)

Utility	Total Complaints	Installation Problems	New Service Problems	Service Problems
GTE North	43.51	1.66	7.81	34.04
Ameritech-IN	27.38	0.99	4.45	21.94
Sprint/United	2.90	0.00	0.41	2.49

The FCC's own reports show that Ameritech Indiana has significant problems with quality of service. The FCC's ARMIS data, which includes the most comprehensive quality of service database in the telecommunications industry, shows that Ameritech Indiana's service quality is deficient in the following areas:

- Ameritech Indiana had the longest initial out-of-service repair interval for residential customers (37.3 hours) of GTE, Sprint/United and other Ameritech operating companies in 1997.
- Ameritech Indiana had the longest average business customer installation interval of any Ameritech operating company in 1997 (3.6 days).
- Ameritech Indiana had the longest initial out-of-service report interval for business customers of any Ameritech operating company in 1997 (23.9 hours) and 1998 (24.8 hours).
- Ameritech Indiana had the longest repeat out-of-service report interval for business customers of any Ameritech operating company in 1997 (23.4 hours) and 1998 (25.8 hours).

Also, Ameritech Indiana's customer satisfaction results, as reported by ARMIS Report 43-06, have declined:

- Residential customers have grown increasingly dissatisfied with Ameritech Indiana's installation of service (3.2 percent in 1996; 4.84 percent in 1997; 6.26 percent in 1998).
- Residential customers have grown increasingly dissatisfied with Ameritech Indiana's repair service (8.1 percent in 1996; 10.13 percent in 1997; 11.7 percent in 1998).
- Residential customers have grown increasingly dissatisfied with Ameritech Indiana's business office response time (4.0 percent in 1996; 6.86 percent in 1997; 7.13 percent in 1998).

Finally, we refer to a 1998 survey from J.D. Power and Associates that SBC filed in our merger investigation. In a survey of 13 telecommunications companies providing local telephone

service, Ameritech Corporation ranks seventh in overall customer satisfaction, below all Regional Bell Operating Companies except US West.³⁴

VI. Conclusion

In the first phase of the IURC's investigation into the proposed merger, we asked SBC/Ameritech to answer 39 questions which would provide greater detail regarding the effect of the transaction within Indiana. The issues included the identification and allocation of specific merger benefits; the merger's anticipated impact on Ameritech Indiana's operations, organizational structure, employment levels, and the quality of its telephone service; and the merger's impact on local exchange competition, access charges, existing regulatory mechanisms, and interconnection with other telecommunications carriers. Other parties to our investigation asked follow-up questions regarding the same general topics.

We consider the majority of SBC/Ameritech's responses to the written questions posed by the IURC, the Indiana Office of the Utility Consumer Counselor, and various intervenors as generally vague and/or non-substantive. SBC/Ameritech's answers to our questions generally consisted of the following: (1) they did not know the answer; (2) they did not know the impact of the merger in the context of the particular question, because no planning or analysis had been done in that regard; or (3) they did not intend to conduct such planning or analysis until after the completion of the merger.

For example, the IURC and others were thwarted repeatedly in their attempts to ascertain the extent to which any of the many professed benefits of the merger would directly benefit the citizens of Indiana. In addition, under questioning from an Administrative Law Judge and cross examination from the other parties, SBC and Ameritech witnesses repeatedly failed to make any commitments toward specific, tangible benefits that would accrue to Ameritech Indiana, its ratepayers and carrier customers, and the citizens of Indiana as a result of the merger. The responses consisted almost entirely of speculation about potential benefits that might occur, rather than specific commitments SBC was willing to make.

To date, SBC has also offered no tangible commitments for the state of Indiana regarding universal service, access charge reform, advanced services, cost allocation and recovery, pricing, quality of service, and enforcement.

SBC did speculate that there could eventually be some net cost savings as a result of the takeover. The primary reasons given by SBC/Ameritech for the merger focus on the benefits to customers in up to 30 new domestic and an undisclosed number of new foreign markets that SBC and Ameritech claim they could not enter as separate companies, rather than on any benefits for existing Ameritech customers.

³⁴ In the Matter of the Investigation on the Commission's Own Motion Into all Matters Relating to the Merger of Ameritech Corporation and SBC Communications, Inc., Cause No. 41255, Attachment 11 of Direct Testimony of James Kahan, filed on May 28, 1999.

Respondents summarized the few commitments they are willing to make on March 19, 1999. These commitments are:

- Maintain Ameritech Indiana's headquarters in Indianapolis;
- Continue to use the Ameritech name in Indiana;
- Continue Ameritech Indiana's historic levels of charitable contributions and community activities;
- Continue to support economic development and education in Ameritech Indiana's territory consistent with Ameritech's commitments in these areas;
- Ensure that, as a result of the merger, employment levels in Ameritech's five-state region will not be reduced due to this transaction; and
- Continue to invest capital necessary to support Ameritech Indiana's network consistent with its past practices.

We also note that SBC and Ameritech attached to their written responses in our proceeding certain testimony, affidavits, briefs, etc., pertaining to corresponding proceedings in other current Ameritech states (Ohio and Illinois). Generally, the companies were more forthcoming in those responses to other states' utility commissions. The IURC is concerned that the paucity of Indiana-specific commitments by SBC/Ameritech could indicate an unwillingness to improve Ameritech Indiana's service. Conversely, based on negotiation with SBC and Ameritech, the Public Utilities Commission of Ohio recently issued an order on a stipulated settlement with the companies that imposes several conditions on the merger.³⁵ The Illinois Commerce Commission also is holding a series of hearings to determine whether the merger should be approved, and if so, whether similar conditions should be applied to it.

The IURC anticipates that the merger, if consummated, would result in a change in control over Ameritech Indiana. SBC's ownership might actually improve Ameritech Indiana's regulatory compliance and service quality, as well as accelerate the growth of local competition and broadband deployment.

However, assurances by SBC that "the employees of Ameritech Indiana will continue to be available to provide the same high quality service which the customers of Indiana have come to expect"³⁶ and that SBC will "continu[e] to invest capital necessary to support Ameritech's network consistent with it's [sic] past practices"³⁷ do little to reassure the IURC, since Ameritech Indiana's service quality and network infrastructure investment are in need of improvement over and above the status quo. Service quality improvements might be especially difficult to achieve

³⁵ In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control, Case No. 98-1082-TP-AMT, April 8, 1999.

³⁶ *Id.*, pages 28-29.

³⁷ *Id.*

given that Ameritech Indiana's total employment has declined every year since 1994, as shown in Table 5. In fact, a smaller workforce responsible for serving an increasing number of access lines might be at least one of the causes of Ameritech Indiana's poor quality of service.³⁸

Table 5
Ameritech Indiana Employment³⁹

Year	Full-time Employees	Part-time Employees	TOTAL
1994	4,370	28	4,398
1995	4,165	23	4,188
1996	4,041	11	4,052
1997	3,991	11	4,002
1998	3,838	11	3,849

The IURC has the same concerns about SBC's assurance that "nothing about this merger will change the ability of Ameritech Indiana to comply with this Commission's [IURC's] rules and regulations," because Ameritech Indiana has consistently opposed IURC orders since the passage of TA-96.

Perhaps most importantly, the IURC is disappointed by the insignificant growth of competition for local telephone service within Ameritech Indiana's service area. The IURC believes that Ameritech Indiana's opposition to our orders implementing the market-opening provisions of TA-96, as illustrated by what appears to be its unilateral reinterpretation of our General Administrative Order regarding the adoption of approved interconnection agreements pursuant to section 252(i) and its appeal of several interconnection agreements, has stalled the development of local competition. Furthermore, while the merger most likely will not increase Ameritech Indiana's market power, the IURC finds no reason why the merger would mitigate it. Given that Ameritech Indiana currently provides service to approximately 99 percent of the voice grade access lines in its service area three years after the passage of TA-96, we see little, if any, competitive pressure in Indiana that would inspire SBC and Ameritech to merge in order to undertake the proposed National-Local Strategy.

The IURC believes that an independent Ameritech Indiana needs to undertake steps to improve its quality of service, meet required infrastructure investments, comply with IURC orders, remove barriers to local competition, and expedite the deployment of broadband services. The IURC does not abdicate responsibility for addressing these issues; indeed, the IURC has several proceedings before us in which we are seeking to resolve these matters.

However, the IURC believes that it is critical for the FCC to understand the current state of affairs in each of the five Ameritech states in order to consider any future impacts of the proposed merger. This is particularly true since, as stated above, SBC proposes to maintain the

³⁸ According to a recent article in *The Indianapolis Star*, Ameritech Indiana blames its slow response times on "the exploding demand for second phone lines to hook into home computers." According to Ameritech Indiana, "the added work has stretched its [Ameritech Indiana's] technical staff..." See Sword, Doug. "Ameritech repair is slowest," *The Indianapolis Star*, May 31, 1999, page E-1.

³⁹ Telephone Annual Report of Indiana Bell Telephone Co., Inc. to the Indiana Utility Regulatory Commission, 1994-1998.

status quo in Indiana. Hence, **we are concerned that all we can expect is more substandard service quality, opposition to IURC orders, insignificant local competition, and no deployment of broadband services.**

Although the IURC cannot comment on whether the merger should be approved, or whether and to what extent conditions should be ordered, we strongly urge the FCC to apply any conditions equally to all five Ameritech states. Indiana should enjoy its share of any benefits that might accrue from any conditions that are imposed, but it is not our intention to put any of our sister states at a disadvantage. We trust that the FCC will adopt a similar position. To do any less would place the FCC in the role of pitting one state against another. A two-track system of conditions would also likely have a significant effect upon whether, where, and to what extent competition develops for telecommunications and (perhaps) information services. All other things being equal, competition in the one or two Ameritech states "with conditions" would likely be more sustainable and more widespread in those states than in the states "without conditions" and would likely occur sooner and reach more customer classes.

In conclusion, the IURC realizes that these initial comments provide a broad treatment of the issues. Still, we hope that our analysis informs the FCC's decision-making process. We look forward to filing additional comments with the FCC as our own investigation into the SBC/Ameritech merger progresses.

INDIANA UTILITY REGULATORY COMMISSION

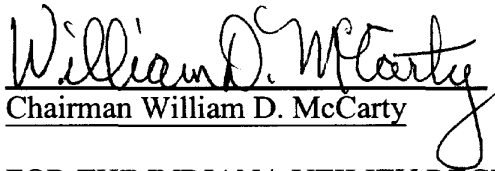
Submission of Comments to the Federal Communications Commission

June 16, 1999

In re: *In the Matter of Applications for Transfer of Control to SBC Communications, Inc.
of Licenses and Authorizations Held by Ameritech Corporation*, (CC Docket No. 98-141)

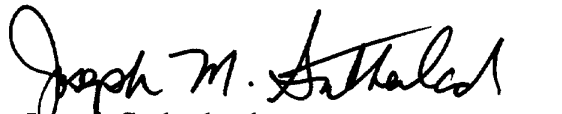
The Indiana Utility Regulatory Commission submits the foregoing comments to the Federal Communications Commission (FCC) under the previously cited docket.

The Executive Secretary of the Indiana Utility Regulatory Commission is hereby directed to submit these comments to the FCC, in accordance with that Agency's procedural requirements.


Chairman William D. McCarty

FOR THE INDIANA UTILITY REGULATORY COMMISSION

ATTEST


Joseph Sutherland
Executive Secretary to the Commission